

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

November 13, 2001
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Deputy Mayor Marshall, Councilmembers Creighton, Davidson, Degginger, Lee, and Noble

ABSENT: Mayor Mosher

1. Executive Session

The meeting was called to order at 6:09 p.m. by Deputy Mayor Marshall, who presided. There was no executive session.

2. Oral Communications

- (a) Jim Keeffe, Commander of the Local Chapter of American Ex-Prisoners of War, said the organization helps former prisoners of war and veterans in need of assistance due to injury or disability. On behalf of the local chapter, Mr. Keeffe donated two books for the library at the City's North Bellevue Senior Center: 1) *Thirty Biographies of Members of the Local Chapter of American Ex-Prisoners of War*, and 2) *The War Years in Washington State* (by Jim Warren). Mr. Keeffe noted that Mr. Warren recently completed another book, *The First 150 Years in Seattle*.

3. Study Session

- (a) Council New Initiatives

No new initiatives were introduced.

- (b) Mid-Biennium Budget Proposal

City Manager Steve Sarkozy noted the City follows a two-year budget cycle and staff is currently working on the mid-biennium budget update of the adopted 2001-2002 budget. Interim Finance Director Gary Ameling said the City is required by state law to update its biennial budget on an annual basis. A public hearing on the mid-biennium budget update is scheduled for November 19 and Council action is scheduled for December 3.

Moving to the financial forecast, Mr. Ameling noted that Puget Sound is experiencing its first recession since the 1980s, which is expected to last two to four quarters. The City's financial

forecast assumes the recession will continue into the second half of 2002. Mr. Ameling said anticipated levels of uncommitted resources (the difference between projected resources and projected expenditures) through 2006 are lower than originally projected in late 2000. However, despite the slight decrease in projected revenues, the City will be able to continue providing current service levels within existing resources.

Budget Manager Mike Sigsbee reviewed key assumptions of the financial forecast. Due to the economy, employment growth projections have been decreased since the December 2000 forecast and employment growth is expected to be negative in 2002. Similarly, taxable retail sales growth estimates have been decreased from an average annual rate of 4.8 percent to an expected annual growth rate of 3.6 percent. The City will continue to benefit from relatively low inflation with annual increases averaging 2.5 percent through 2006. Development activity is expected to slow significantly, especially in the later years of the forecast. Mr. Sigsbee noted that King County is considering significant budget reductions and the potential impact of these cuts has not been incorporated into the City's current financial forecast. Approval of the King County EMS (emergency medical services) levy was assumed in the City's revenue projections.

Mr. Ameling described the impact of the passage of Initiative 747, which restricts the maximum amount of a levy increase for a local jurisdiction to one percent (or the percent change in the implicit price deflator, whichever is less) without putting the measure to a public vote. The implicit price deflator is a national measure of inflation, similar to the consumer price index. Mr. Ameling explained that I-747 does not affect previously banked capacities for cities that have not imposed maximum levy increases on an annual basis. Bellevue has banked approximately \$7.5 million in property tax capacity by not raising property taxes in several years. However, I-747 reduces future banking capacity levels for cities. The current mid-biennium budget update proposes no property tax increase.

Mr. Sigsbee said no tax increases will be required to maintain current service levels, despite lower sales tax and business and occupation (B&O) tax projections. Utility tax collections are projected to increase, in part due to an increased customer base. Mr. Ameling noted that Bellevue's conservative approach to revenue forecasting continues to serve the City well.

Turning to expenditures, Mr. Sigsbee said general salary adjustments in 2002 will continue to have an impact on future forecast years as well. Lower jail costs are anticipated due to the success of the electronic home detention program, the use of Issaquah jail space, and decreased bookings. Mr. Ameling said King County recently cancelled its jail contract with Bellevue and other cities. Negotiations with King County are ongoing and Bellevue is looking at alternatives.

Mr. Ameling said the City relies on both regional and national economists in preparing the financial forecast. He introduced Paul Sommers, PhD, a senior research fellow with the University of Washington's Northwest Policy Center. Dr. Sommers commended staff's conservative approach. He feels optimistic that the regional economy will see substantial recovery and growth.

In response to Mr. Lee, Dr. Sommers noted the economic growth in China and said he does not expect national trade to suffer during the current recession. Responding to Mr. Degginger, Dr. Sommers said the key to economic recovery is consumer confidence, retail sales, and a

willingness to travel. Mr. Ameling commented that while the recession is expected to last two to three quarters, the economy is expected to be slow for two to three years. Dr. Sommers said this is a typical pattern for this region, with decades starting out slow and achieving an economic boom by the end of the decade. In response to Mr. Creighton, Dr. Sommers defined a recession as two or more quarters of decline in a series of economic indicators.

Responding to Dr. Davidson, Dr. Sommers described discussions at the state level regarding the potential for a sales tax holiday to stimulate the economy. Dr. Sommers noted the difficulty in getting national and state legislative bodies to put economic stimulation measures into place in a timely manner. Deputy Mayor Marshall thanked Dr. Sommers for coming to speak to Council.

Dr. Davidson expressed concern about personnel costs. Mr. Ameling referred to page 12 of the Council packet and noted that a higher than anticipated change in the Consumer Price Index adds to personnel costs. He offered to provide additional reports at Council's request.

Moving on, Mr. Ameling reviewed the key changes in the mid-biennium update. The first proposal is a probation staffing increase in response to new legislation and a significant increase in the number of cases to monitor. The addition of one full-time position (probation clerk) is requested and will be partly supported by program user fees. Deputy Mayor Marshall would like staff to keep track of increased City costs attributable to unfunded mandates by state and federal governments. Parks and Community Services Director Patrick Foran noted that the law limits the amount cities can charge clients for probation services.

The second proposal in the mid-biennium update is a consolidated neighborhood investment strategy establishing a placeholder of \$200,000 for the identification and prioritization of neighborhood needs. This is likely to lead to changes in the Capital Investment Program (CIP) Plan during the 2003-2009 update. In response to Dr. Davidson, Mr. Sarkozy said this initiative was introduced this year and will be reconsidered for funding during the 2003-2004 budget process.

Mr. Ameling said the third budget proposal recommends no property tax increase other than what is allowed for new construction, annexations, and adjustments for items such as refunds and omitted assessments for prior years.

The fourth budget proposal recommends increased water and sewer utility rates. An additional one percent increase is requested for water rates to support Bellevue's work with the Cascade Water Alliance to develop a new water supply at Lake Tapps. The proposed 14.9 percent increase in sewer rates represents a pass-through cost from King County/Metro.

Jim Bloomfield, Chair, said the Environmental Services Commission held a special meeting and public hearing on September 20 to discuss the rationale for increased utility rates. One citizen spoke at the public hearing. Mr. Bloomfield said the Commission recommends approval of the proposed rates.

Dr. Davidson expressed concern regarding proposed water rate increases. Mr. Degginger concurred and explained his understanding that Bellevue's dues of \$200,000 to Cascade Water Alliance would cover the organization's efforts. Utilities Director Lloyd Warren recalled staff's

discussion with Council in July and staff's inability to predict specific financial impacts of the Lake Tapps initiative at that time.

Dr. Davidson feels strongly that the Council needs to have a broad discussion of utilities policies. He feels King County's justification for increased rates are inadequate and that it is unfair to raise rates now for a third treatment plant to be built in 30 years.

Mr. Noble expressed concern with increasing utility rates and suggested a more thorough examination of the Lake Tapps project. Mr. Lee concurred and requested an overall discussion of the City's utilities mission.

Deputy Mayor Marshall noted the need for additional Study Session discussion of utility rates and policies. Mr. Degginger and Mr. Creighton agreed with the need for further discussion.

Responding to Mr. Degginger, Utilities Business Manager Nav Ota said a primary driver of increased sewer rates is the cost of electricity to operate treatment plants.

Dr. Davidson noted that reduced water consumption by commercial users has resulted in increased residential user fees as a way of making up for the lost revenue.

Deputy Mayor Marshall thanked Mr. Bloomfield for attending the meeting. She suggested that staff publish an article in *It's Your City* to explain utility bills and King County's pass-through costs to Bellevue customers and to provide King County contact information for citizens with questions and complaints. She noted that the City has a utility tax rebate program for senior citizens.

Mr. Ameling introduced the fifth change to the budget which proposes adjustments to development-related fees in order to achieve Council-approved cost recovery objectives. Planning and Community Development Director Matt Terry explained that a consultant was hired to analyze PCD's overall cost structure and workload. He reviewed the cost recovery objectives established by Council approximately 12 years ago and noted that 35 percent of the City's costs for land use services are paid by customers and 65 percent of the costs are supported by the General Fund. Due to the economic slowdown experienced this year, the number of billable hours has decreased significantly and will continue to drop.

Mr. Terry said development-related fees cover only about one-third of PCD's costs for project review activities. He described the department's efforts to reduce overall costs including the elimination of vacant positions, the elimination of all contract services, a change in the staffing structure, the elimination of three limited-term employee positions, and the acceptance of voluntary reductions in staff hours. Mr. Terry said a significant increase in development activity is not expected for the next three years.

Mr. Terry said Council established a land use reserve 10 years ago with three primary objectives:

- 1) to insulate the General Fund from the impacts of an economic slowdown, 2) to maintain consistency in fees despite annual fluctuations in actual costs to the City, and 3) to maintain core staffing even in economic slowdowns and ensure that trained staff are on hand when

development activity increases again. Mr. Terry said the proposed adjustments in development fees are requested to avoid decreasing reserve funds to unacceptable levels.

Mr. Terry reviewed the proposed development fees and noted that Bellevue's rates have not kept up with inflation over the past 10 years. He summarized that the major fee drivers are a decreased workload, the City's full cost allocation policy, and increasing personnel costs. He added that PCD is experiencing an increasing number of CIP projects requiring a substantial amount of staff time for processing permits. However, PCD does not charge other City departments to provide these services. Mr. Terry said large projects and complex sites are increasingly demanding on staff time.

Mr. Terry said staff recommends a Land Use fee increase from \$69 to \$82 per hour. He referred Council to the table on page 17 of the packet demonstrating projected fee increases through 2006 to meet future workload demands and reserve obligations. Other recommended fee adjustments, including Issaquah School District impact fees, are outlined in the Council packet.

Mr. Noble noted the paragraph on page 17 regarding a recommended rate increase to \$99 per hour as a result of the 2001 Land Use Cost of Service Study. Mr. Terry said this recommendation was aimed at building up reserves by implementing a larger increase the first year and more modest increases in later years. Staff's recommendation provides a more gradual rate increase over the next few years.

In response to Mr. Degginger, Mr. Terry said the City of Seattle charges clients the full cost of its services, \$250 per hour. Bellevue's fees are less expensive than Redmond and Sammamish and comparable to Kirkland's fees. Mr. Terry noted that clients feel predictable timeframes and good customer service are as or more important than the fees charged by cities. To this end, PCD strives to maintain reasonable staffing levels, reasonable reserve levels, and a reasonable rate structure.

Mr. Degginger requested a copy of the 2001 Land Use Cost of Service Study. Responding to Mr. Degginger, Permit Center Manager Magen Michaud said a site visit is required for single family additions. Very few permits are processed for spas and vendor carts.

In response to Mr. Lee, Ms. Michaud said staff expected a gradual decline in development activity but not the dramatic drop that has been experienced recently. She said the cost of service study is conducted on an annual basis.

At Mr. Degginger's request, Mr. Terry said he will provide the Issaquah School District's transmittal regarding impact fees to Council.

Responding to Dr. Davidson, Mr. Terry said PCD staffing levels are barely adequate to meet the 120-day permit cycle. If staff time is reduced, the permit processing period would be extended.

In response to Mr. Creighton, Mr. Terry clarified that this discussion is about the land use portion of the process. An even bigger part of the overall process is plan review and inspection, which has its own fee schedule and reserves and continues to have a demanding workload.

At 8:18 p.m., Deputy Mayor Marshall declared a break. The study session resumed at 8:29 p.m.

Noting that he will not be able to attend the December 3 meeting in which Council will take action on the mid-biennium budget update, Mr. Lee said he would like to comment on the budget at this time. He feels staff has made good assumptions and he supports a conservative approach. He is interested in exploring a jail contract with the City of Yakima.

(c) Continued Discussion of Comparative Cities Report

Mr. Sarkozy recalled Council's previous discussion of the 2000 Comparative Cities Performance Report during the November 5 study session. This effort is coordinated by the International City/County Management Association (ICMA) and provides performance measure information for 113 jurisdictions throughout the country.

Mr. Ameling noted that the previous Council discussion covered key findings and the benefits of participation. Rich Siegel, Senior Budget Analyst, then provided an explanation of the report methodology. Bellevue has participated in the Comparative Cities program for five years and targets 27 measures (out of ICMA's 400 to 500 measures) for comparison purposes. Most of the 27 measures selected are in the areas of public safety and community planning/development. Bellevue primarily compares its measures to mid-sized cities with populations between 50,000 and 150,000. However, all Puget Sound cities, including Seattle, are included in the comparison as well. Of the 113 participating jurisdictions, 95 are cities and the remainder are counties.

Mr. Siegel reviewed key trends of the report. Bellevue experiences a lower than average crime rate with a Part I crime rate per 1,000 population that has remained approximately 20 percent below the ICMA average. Part I crimes are violent crimes including murder, rape, and aggravated assault. Similarly, the percent of Part I crimes cleared (solved) in Bellevue is higher than the ICMA average.

Mr. Siegel highlighted additional findings:

- Bellevue spends more than the ICMA average on total operating and maintenance expenditures per lane mile maintained.
- The percent of Information Technology help desk calls resolved at the time of the call is higher than the ICMA average.
- Bellevue processes a requisition and issues a purchase order in fewer calendar days than the ICMA average.
- Bellevue experiences fewer workers compensation claims per 1,000 population than the ICMA average.
- Bellevue employees use less sick leave per 1,000 hours worked than the ICMA average.

Mr. Siegel noted that inconsistencies in definitions and data collection methods influence the comparability of the data results.

In response to Mr. Creighton, Mr. Siegel said cities dropped out of the Comparative Cities program in 2000 for a variety of reasons. Some only participate every third year and others experienced a change in leadership which led to a focus on other priorities. Mr. Sarkozy

commented that the program has a good number of core cities, including many Puget Sound cities, and new cities are joining the effort every year. The cities of Kent and Burien recently completed ICMA training for the program.

Responding to Mr. Creighton, Police Chief Jim Montgomery described regional differences in police officer staffing. He said police departments in the northeast region of the country tend to staff two to three times as many officers per 1,000 population than the western region. He said the northwest generally has the lowest police officer ratios in the country. Chief Montgomery explained that many departments with higher police officer ratios have officers serving in communications/dispatch and other positions that are staffed by civilians at the City of Bellevue.

Mr. Creighton noted that Bellevue's police operating expenditures per capita are slightly higher than the ICMA average. Chief Montgomery attributed this to the higher overall cost of living and the specialized services provided by Bellevue Police Department including school resource officers, community police stations, and an enhanced emphasis on traffic enforcement compared to similar-sized cities.

In response to Mr. Lee, Chief Montgomery said the performance measures report does not capture the police department's use of volunteers. He said Bellevue's citywide volunteer program is a model for other cities, with 70 volunteers in the police department alone.

Mr. Noble questioned the meaning of the performance measure for the number of juvenile arrests. He observed that a lower number of arrests appears to be considered good, while he thinks the opposite would be true. Chief Montgomery acknowledged that he sees little relevancy in this measure. Although Bellevue has a low violent crime rate, it has a high number of car prowls which are typically committed by juveniles. Chief Montgomery explained that the intent of the school resource officer program is prevention and intervention and this may be contributing to the decline in juvenile arrests.

Turning to fire data, Mr. Creighton said he was surprised to read that the number of Bellevue's fire incidents is higher than the ICMA average. Fire Marshal Steve Nuttal explained that the police department recently adopted a new records management system that counts more incidents of structure fires than comparable jurisdictions. As a result, Bellevue's figures are artificially inflated.

In response to Mrs. Marshall, Mr. Nuttal said the number of structures in Bellevue increased significantly during the 1990s and staff is working hard to keep up with annual inspections. Since 1995, Bellevue added more than 20 million square feet of inspection-eligible structures.

Mr. Lee testified to the effectiveness of the City's Information Services help desk.

At 9:16 p.m., Deputy Mayor Marshall declared the meeting adjourned.

Myrna L. Basich
City Clerk

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